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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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**Testimony of  
Commissioner-Chairman James M. Irvin  
of the Arizona Corporation Commission**

**Presented to the  
Federal Communications Commission  
on the Arizona Corporation Commission's  
Proposal for Distribution of Federal USF Funds**

**June 8, 1998**

**I. INTRODUCTION**

Good Morning. My name is Jim Irvin and I am the Chairman of the Arizona Corporation Commission. I want to thank you for the opportunity to speak to you today about one of my main concerns since being elected as a Commissioner in January of last year; a concern which is shared by my fellow Arizona Commissioners Renz Jennings and Carl Kunasek. However, first I want to say that I am honored to be here and appreciate the time provided me to discuss Arizona's Proposal. Unfortunately, due to problems with flight availability, I will not be present for this afternoon's session. Thus, if you have specific questions you would like me to address, I would ask that you do so this morning during the designated time. I would also like to introduce Maureen Scott, an attorney from our Legal Division who has been working on this issue. Ms. Scott will be here this afternoon and will be happy to answer any questions you may have after my departure.

I want to start by commending you and your staff, Emily Hoffnar, Valerie Yates, Richard Metzger, Jim Schlichting, Larry Povich, and Lori Wright to name a few, for all of their excellent and hard work in this area and for your willingness to hear from your fellow state commissioners, such as myself, on this important issue. It demonstrates that you are willing to listen

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to what we have to say, and work with us to get the job done right. I also want to thank some of my fellow state commissions and NARUC representatives, the NARUC Ad Hoc Working Group, the Maine, Vermont, South Dakota, Texas, Colorado and New York Commissions and Brad Ramsay for all of their considerable efforts on this issue. Our Proposal is not meant to detract from the considerable efforts of these states or groups. They should be commended for their fine efforts. Rather than a substitute, our Proposal should be considered an addition to any of the comprehensive Proposals filed.

The Arizona Corporation Commission's Proposal is different from the others that you will hear about today. Unlike the other Proposals filed with you, Arizona's is not meant as a comprehensive alternative to the proposed High Cost Fund distribution methodology. Our Proposal does not deal with the amount of federal support to be received by each state under the forward looking costing methodology used to determine high-cost loops. It, however, does deal very much with the issue of the distribution and allocation of federal universal service funds. Specifically, it deals with the issue of getting loops in place in high-cost areas of each state so that all consumers who want telephone service are able to get it. You might also look at our Proposal as a partial alternative to the existing distribution methodology.

Personally, I feel very strongly about the issue of unserved customers which is why I am speaking before you now. Since becoming a Commissioner, I take every opportunity available

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to bring attention to this enormous problem. What I have learned over the last year and a half is that this issue is just too big for one person and one state commission to try to solve.

If there is an overriding theme that I would like to leave with you today -- it is that you are dealing with 50 very different states with different terrains, demographics and universal service concerns. I have attached as Exhibit A of my written testimony, maps containing topographical, demographic and other information on Arizona. The purpose of these attachments is to attempt to demonstrate that what works in Pennsylvania or California -- is not going to automatically work in Arizona or Florida. So whatever you do, please give states enough flexibility so that we can address our individual issues as effectively as possible.

Let me now discuss the problem addressed in our Proposal. Arizona has what we call "unserved" and "underserved" consumers who cannot get telephone service because in many cases they cannot afford to pay the charges associated with having facilities or plant extended to their homes. As a state regulator, I am here to tell you that this is a very emotionally charged issue which we cannot choose to ignore any longer as state and federal regulators. I am confronted with the realities of this problem on almost a day to day basis. For purposes of my presentation today, I will address this issue in three parts: first, the problem of unserved and underserved customers itself; second, why this problem exists at least in Arizona, and third, what we as federal and state regulators can do.

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Commissioner-Chairman James M. Irvin  
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**II. THE PROBLEM**

I want to start out by defining what I mean by "unserved" and "underserved" consumers. When I refer to "unserved" consumers, I am referring to consumers without telephone service who are located outside the exchange boundaries of any incumbent local exchange carrier. When I refer to "underserved" consumers, I am referring to consumers without telephone service who are located within the exchange boundaries of an incumbent local exchange carrier. However, in general, the underlying problem has been the same in both cases -- these consumers cannot afford to pay the line extension or construction charges associated with extending facilities to their homes.

Attached to my written testimony are several exhibits which were put together largely from data recently provided by Citizens Utilities ("Citizens"). Citizens has three telephone operating companies in Arizona: Citizens Telephone Company of the White Mountains, Navajo Communications and Citizens Rural Telephone Company. Exhibit B of my testimony contains a random sample of recent line extension estimates given by Navajo Communications to consumers within its service area. Those estimates range from a high of \$83,160.00 to a low of \$18,480.00, with the average quote from this sample being approximately \$44,726.00. These are actual charges that the customer will have to pay before service is established. Also attached to my written testimony as Exhibit C are copies of the actual letters to the consumers to whom the quotes were provided. These letters contain relevant backup data for the estimates provided.

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My next Exhibit (D), contains data provided by Citizens Telephone Company of the White Mountains. This Exhibit lists various underserved areas within the Company's exchange boundaries, the number of known dwellings in each, the square mileage involved, requests for service received to date, the average quote for line extension charges in each area, and the number of consumers that have been able to pay this initial up-front fee to have the telephone facilities put in place to their homes. If you look at the bottom of page 2 of Exhibit D, it indicates that of the 691 known consumers in these areas, 288 have requested service; but only 74 have been able to pay the line extension charges required to extend the necessary facilities to their dwellings. Thus, only 11% of these consumers have service to date or only 26% of those who requested estimates from Citizens of the White Mountains. In the examples given in Exhibit D, the average quotes for line extension charges range from a high of \$14,412.00 to a low of \$314.00. Again, this is the range of charges that each customer will have to pay in order to get service, depending upon their location.

I've also attached to my written testimony (Exhibit E), examples of some of the complaints received by the Arizona Commission over the last year from consumers unable to obtain telephone service because they could not afford to pay the high line extension or construction charges associated with putting the necessary telephone plant in place. Please keep in mind that most people do not bother to file complaints with the Commission, so the complaints received by the Commission represent but a very small percentage of the consumers in Arizona affected by this problem.

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of the Arizona Corporation Commission**

On a more personal level, our Staff has been working with Larry Povich of your Agency on a complaint which the FCC received recently from Ms. Ella Bohn who lives approximately ten miles east of the town of Snowflake, Arizona. Ms. Bond is an elderly woman living on a fixed income who has been trying to get telephone service since 1993. She has no running water, no electricity and no telephone service. Not long ago, she indicated that her husband died in her arms because she had no way to summon emergency assistance. In June, 1993, Ms. Bohn was provided with an estimate of \$2,669.83, plus costs for private right of way. In October, 1997, Ms. Bohn was provided with another estimate of between \$2,700 to \$3,200, plus possible easement costs or survey costs. Finally, in 1998, Ms. Bohn was provided with an estimate of approximately \$1,500.00. However, even this cost which may be manageable for some of us, is not for low-income customers such as Ms. Bohn who are living on a fixed income. I will speak more to Ms. Bohn's case later in my comments and to the actions that have been taken to address her particular situation.

Citizens estimates that in its Navajo service area alone, it has approximately 18,000 customers living in underserved areas. The Company has indicated that this is a conservative estimate which is indicative of the enormity of this problem in Arizona alone.

**III. EXISTING MEASURES ARE INADEQUATE**

Briefly, I would like to discuss why existing measures are inadequate to address this problem. First, at the state level, most incumbent local exchange carriers have line extension charge

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tariffs that apply when facilities must be constructed to an area for service provisioning. Line extension and construction tariffs are not unique to Arizona. They are commonly used throughout the telephone industry in instances where facilities are not yet in place to provide telephone service. Exhibit F, appended to my written testimony, contains the approved line extension tariffs of several Arizona local exchange carriers. These tariffs are used to apportion costs more fairly among ratepayers so that the general body of ratepayers will not be unduly burdened with the costs of extending new facilities to outlying areas, particularly in a case such as Navajo Communications which I will discuss later.

When an underserved customer, or one within the certificated area of an incumbent local exchange carrier requests service, the company will typically do an engineering study to determine the cost of constructing the facilities needed to provide service. As an example of how a typical line extension tariff is applied, lets assume the incumbent local exchange carrier decides to install a six-pair cable to serve the area where a potential customer is and the actual cost to construct the cable is \$30,000. Lets also assume the carrier's tariff allows for a \$2,000 free allowance for each customer, therefore, the total allowance for the six-pair cable would be \$12,000 (\$2,000 times 6 connections). This leaves \$18,000 (\$30,000 less \$12,000) to be paid by the six possible connections which equals \$3,000 per connection. Thus, in the example given, a customer requesting service would first have to pay a \$3,000 line extension charge before he or she could get telephone service. Any future customers served from the same facility would also have to pay the

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same \$3,000 charge before they could get telephone service. As I discussed earlier, these charges range anywhere from several hundred dollars up to thousands of dollars or more. Many customers, however, cannot afford to pay even the reduced, pro-rated cost provided for under line extension tariffs.

Second, most of the FCC's support programs are geared toward keeping the recurring monthly telephone rates low for customers who already have telephone service. For example, the FCC's Lifeline Program provides a credit toward the monthly rates of low-income customers. While I am fully supportive of this program, it provides no assistance to low-income customers who cannot obtain service because they cannot afford the up-front charges required to put facilities in place.

Similarly, the High Cost Fund is also geared toward ensuring that customers who already have telephone service continue to have affordable monthly rates. The program does not address the problem faced by consumers who do not have telephone service and cannot afford to pay the line extension or construction charges required under company tariffs to put the necessary telephone plant in place.

Third, the FCC's Link Up Program provides a reduction to the carrier's customary charge for commencing telecommunications service for a single telecommunications connection at a customer's place of residence. No assistance is provided to offset line extension or construction charges, which act to prevent the establishment of service in many of these cases.



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Finally, the Rural Utilities Service does provide some assistance through low interest loans to companies for the purpose of bringing facilities into remote areas. However, these loans are not available in all cases. In addition, in a competitive marketplace the provider's focus, and hence its capital commitments, appear in many cases to be upon more lucrative and less risky markets than the rural, unserved or underserved areas. Moreover, line extension charges may also be applied even when the local exchange carrier plans to purchase the facilities with low cost Rural Utilities Service loans.

**IV. ADDRESSING THE PROBLEM**

Our Commission established the Arizona Universal Service Fund Task Force last year with one of its primary purposes being to determine ways of bringing service to unserved and underserved customers in the state. Through our efforts, we have been able to identify at least 17 areas of the state outside the exchange boundaries of the incumbent local exchange carriers with unserved customers. Exhibit G appended to my written testimony shows the areas identified by the Task Force to date. The Arizona Commission recently approved the application of Table Top Telephone Company to begin providing service to two of these areas. We have also received applications from Midvale Telephone Company to begin service to some of the remaining areas. However, Midvale's applications, in many instances, are dependent upon its ability to obtain significant assistance from both federal and state universal service funds.

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Among the Arizona Universal Service Fund Task Force's more recent efforts are proposed revisions to the Commission's existing universal service rules to provide up-front assistance from the fund to put facilities in place to serve consumers located in "unserved areas" of the state, or outside the exchange boundaries of the existing incumbent local exchange carriers. We are still examining ways, in addition to this Proposal, to assist consumers located in "underserved areas" of the state, such as Ms. Bohn. In Ms. Bohn's case, Citizens Utilities has agreed to allow Ms. Bohn to make 25% of this up-front payment initially, with the remainder spread over 12 months. They are also considering making this arrangement to other low-income customers. I am very pleased to report that last Friday I learned that Ms. Bohn has signed an agreement with Citizens and the Company is starting to process her application. However, in many cases, even with this type of arrangement, the cost will still be too prohibitive for many low-income customers.

In our Proposal, we set forth a series of steps that we believe should be considered by your Agency and the Federal-State Joint Board to begin to address this problem under Section 254 of the Telecommunications Act of 1996. We believe it is necessary to define and recognize the problem at the federal level for purposes of the federal universal service fund. It is also necessary to determine the extent of the problem not just in Arizona, but on a nationwide basis. Exhibit H to my written testimony contains a series of data requests recently sent out by our Staff to all incumbent local exchange carriers in Arizona. Through these data requests, we hope to obtain more information on the extent of this problem in other incumbent carrier's service areas in Arizona. We

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intend to submit the data telephone carriers provide in response to these questions to your Staff for their information and review in conjunction with Arizona's Proposal in this Docket. We would suggest that your Agency and the Federal-State Joint Board gather similar information from other states to determine the extent of this problem on a nationwide basis.

Our Proposal is focused upon low-income customers who meet the federal Lifeline default eligibility criteria. This would ensure that customers who are truly in need, such as Ms. Bohn, receive whatever assistance is made available. I have attached as Exhibit I to my written testimony, some data provided by Citizens on income and poverty status and housing characteristics in the Navajo Nation. Citizens, as I mentioned earlier, serves a portion of the Navajo area. For the Navajo Nation as a whole, occupied housing units without a telephone total 28,688. This constitutes an astounding 77.5% of all households in the Navajo Nation.

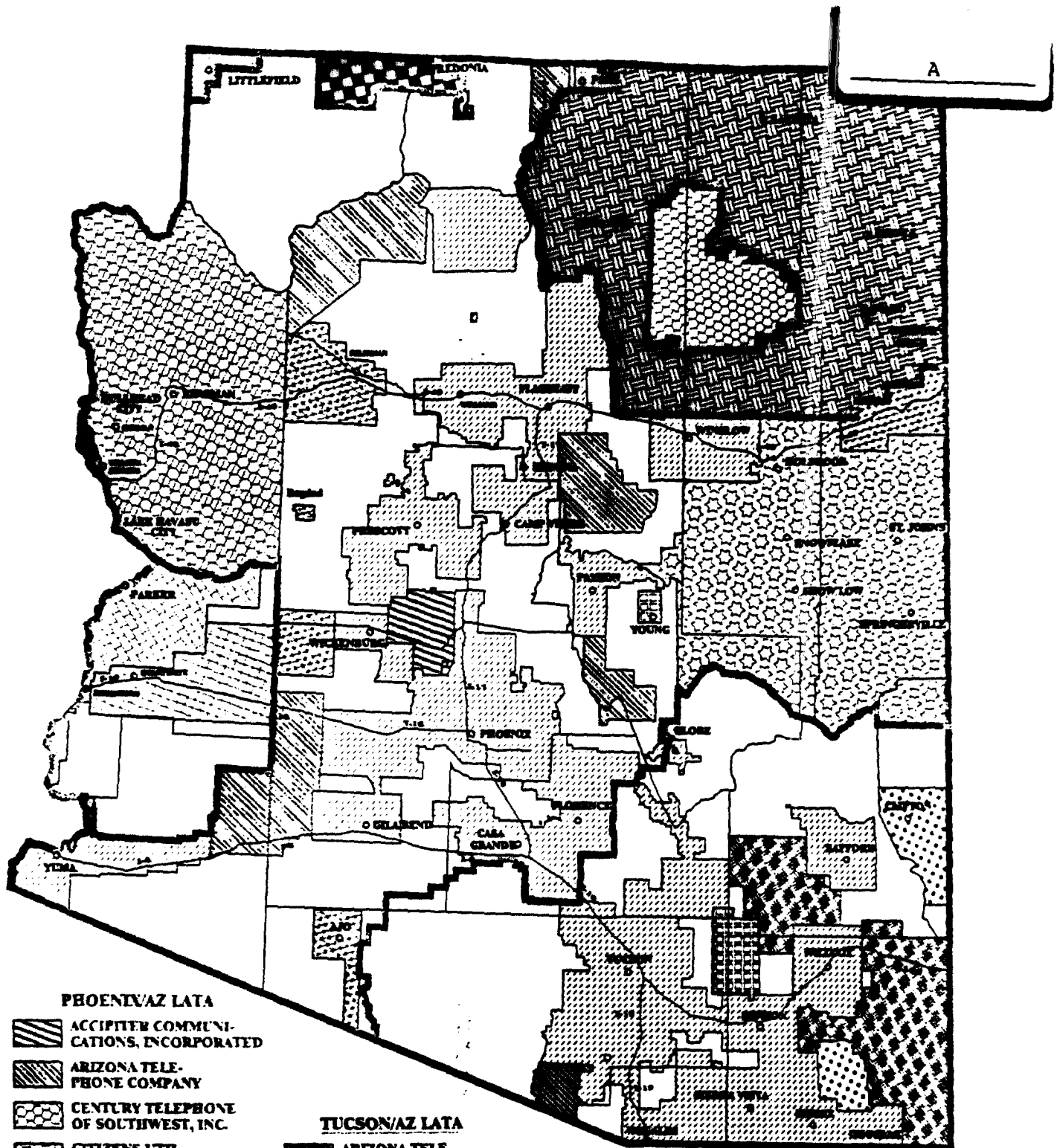
Based upon the information we have provided, it is my hope that you will find merit in our Proposal to allocate a fixed amount of federal universal service funds to partially offset line extension or construction charges associated with extending telephone facilities to low-income customers. Your Agency could begin by allocating a small amount of federal funds at this time, perhaps with further allocations once more information on the extent of the problem is obtained. Portions of the amount allocated could be disbursed to the states experiencing this problem in the form of block grants. Applications for these block grants could be made on an annual basis based upon the extent of the problem in the individual states and individual carrier's service areas. The

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Federal-State Joint Board would be responsible for initially determining a set of criteria or standards for the distribution of these funds. State universal service funds, such as the Arizona Universal Service Fund, could provide matching block grants or additional funds to be used for this purpose. It would be the ultimate responsibility of the individual states to apportion these funds, verify that the costs to provide service are reasonable and ensure that the money is used for its intended purpose.

**V. CONCLUSION**

I want to conclude by again thanking you for the opportunity to present the Arizona Corporation Commission's Proposal to you in person. I hope given the nature of this problem, that you will give it serious consideration. I look forward to working with you on this important issue in the future and if I can be of further assistance to you as you consider this issue, or provide you with more information on the work of the Arizona Universal Service Fund Task Force, please do not hesitate to call upon me at any time. As you undertake the difficult task of sorting through the Proposals and making your ultimate decision in this Docket, I would ask that you please keep in mind the "unserved" and "underserved" low-income customer and that a one-size-fits-all solution will not work as effectively as one tailored to meet the needs of the individual states and carriers. Thank you again.



- PHOENIX/AZ LATA**
- ACCIPITER COMMUNICATIONS, INCORPORATED
  - ARIZONA TELEPHONE COMPANY
  - CENTURY TELEPHONE OF SOUTHWEST, INC.
  - CITIZENS UTILITIES COMPANY
  - CITIZENS TELECOMMUNICATIONS COMPANY
  - MIDVALE TELEPHONE EXCHANGE, INC.
  - SOUTH CENTRAL UTAH TELEPHONE ASSOC., INC.
  - TABLE TOP TELEPHONE COMPANY, INC.
  - U S WEST COMMUNICATIONS, INC.

- TUCSON/AZ LATA**
- ARIZONA TELEPHONE COMPANY
  - COPPER VALLEY TELEPHONE, INC.
  - MIDVALE TELEPHONE EXCHANGE, INC.
  - U S WEST COMMUNICATIONS, INC.
  - VALLEY TELEPHONE COOPERATIVE, INC.

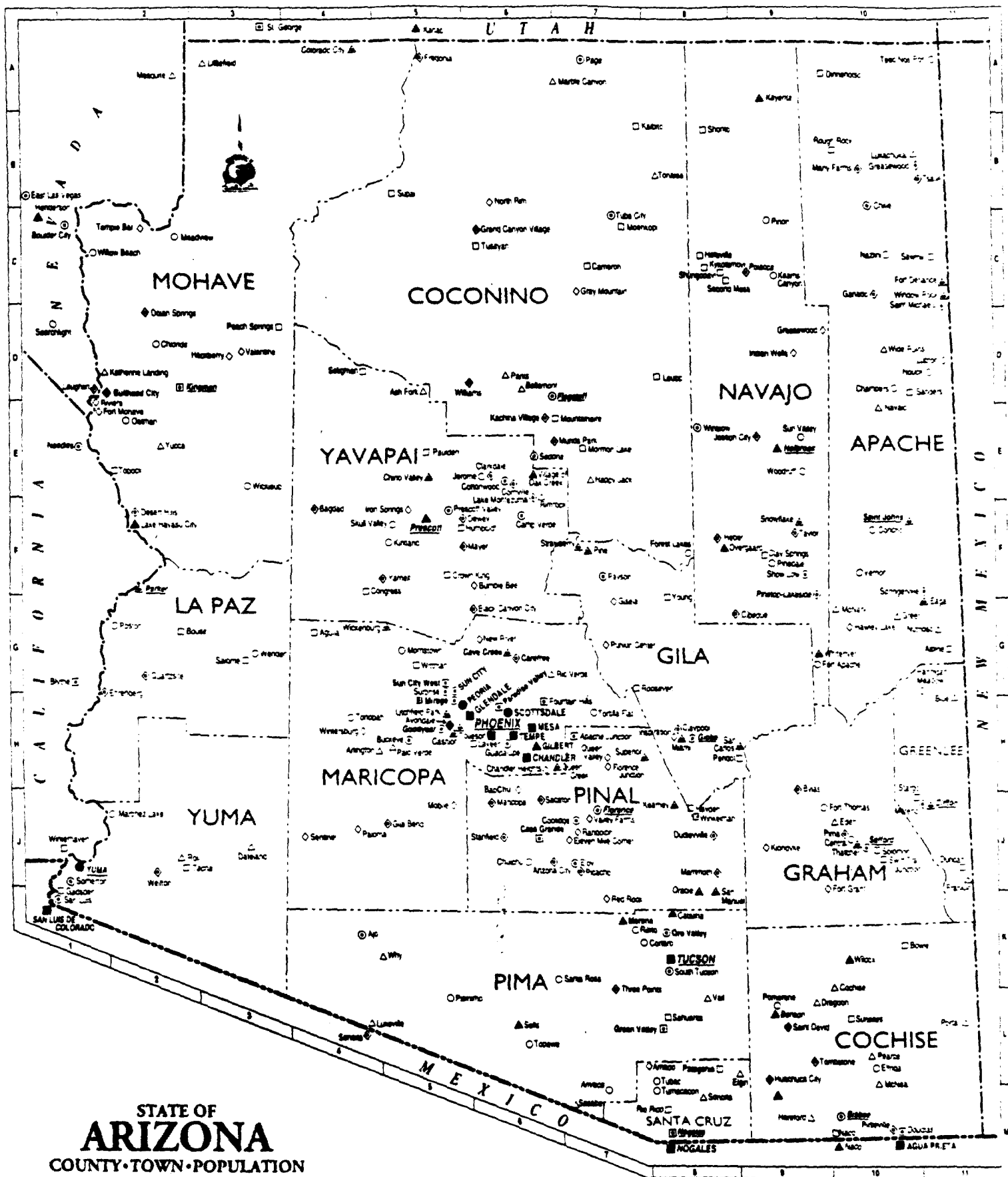
- INDEPENDENT MARKET AREA**
- NAVAJO COMMUNICATIONS COMPANY, INC.
  - LOS ANGELES/CA LATA**
  - GTE OF CALIFORNIA
  - SOUTHWESTERN TELEPHONE CO.

*Revised by Barb Falls  
April 15, 1991*

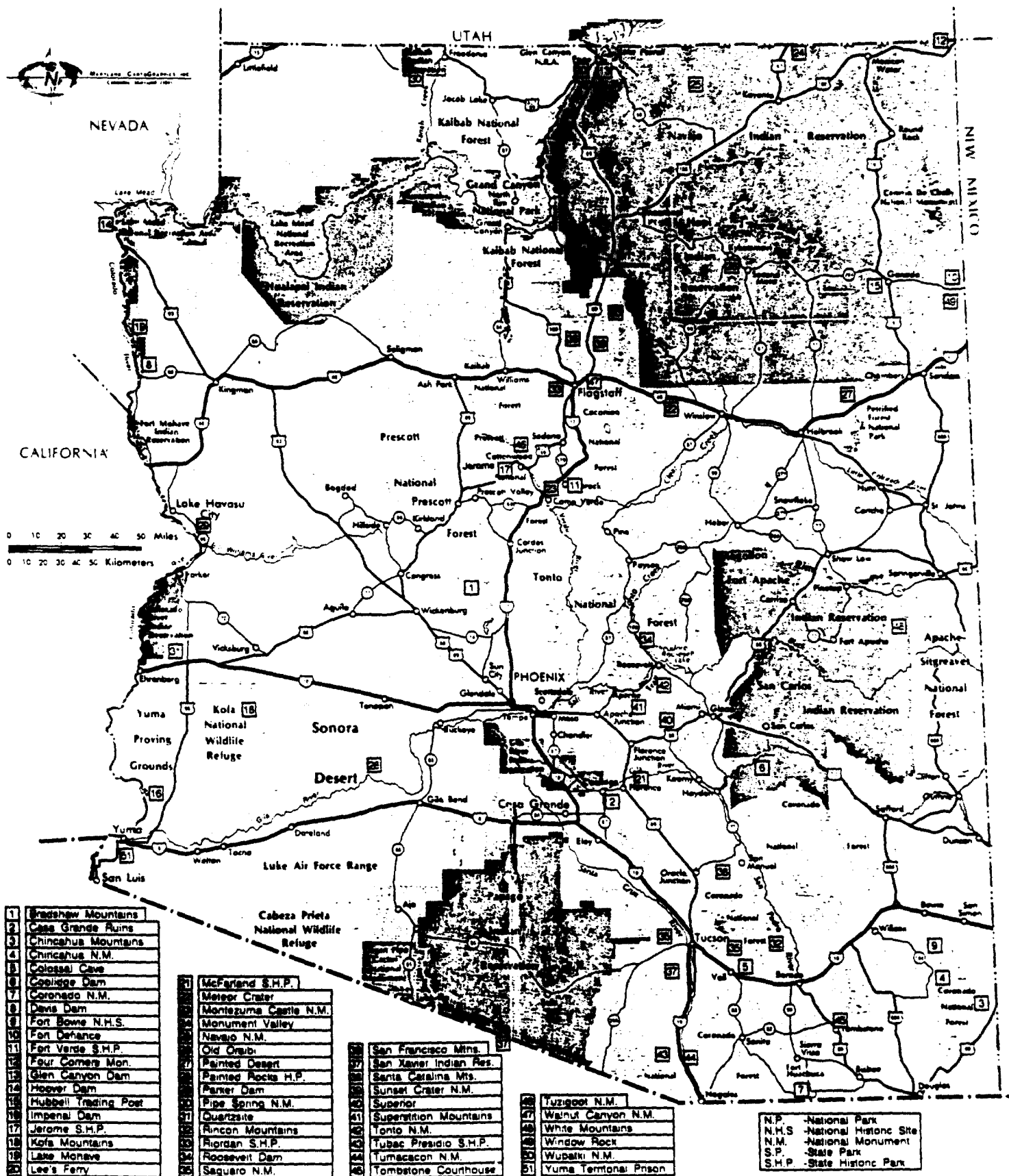
- UTAH/UT LATA**
- RIO VIRGEN TELEPHONE COMPANY
  - SOUTH CENTRAL UTAH TELEPHONE ASSOC., INC.

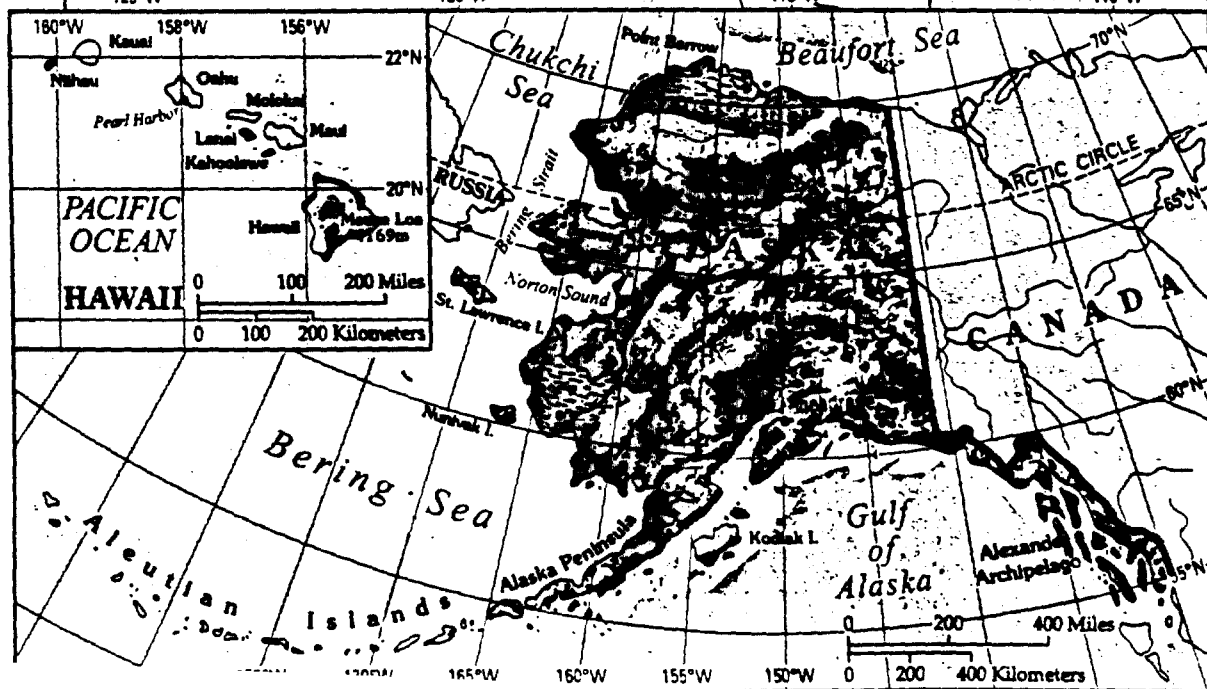
**ALL OF ARIZONA:** TCG PHOENIX, ACSI, AT&T, GSI NET, SPRINT  
**US WEST'S ARIZONA SERVICE AREA:** MFS, ELL, MCIMETRO, CITIZENS  
**US WEST'S METROPOLITAN TUCSON SERVICE AREA:** BROOKS FIBER

# STATE OF ARIZONA TELEPHONE WITH LATA



Item No. 94505







EXHIBIT

B

**CITIZENS**  
communications

April 16, 1998

**MEMORANDUM:**

TO: Paul Moreland  
FROM: Joe Hausner *qH*  
SUBJECT: Aid-to-Construct letters

The following are samples of Aid-to-Construction letters from two exchanges with applicant's name and cost of estimates.

<u>Exchange</u>	<u>Applicant's Name</u>	<u>Cost of Estimate</u>
736	Ms Nelson	\$83,160.00
787	Ms Phillips	\$18,480.00
787	Ms Bahe	\$24,024.00
787	Ms. Faber	\$36,960.00
787	Ms. Posey	\$73,920.00
697	Ms. Nephew	\$36,640.00
697	Mr. Cody	\$49,504.00
697	Ms. Charley	\$35,120.00

If I can be of further assistance, please do not hesitate to call me

CITIZENSTELECOM  
NAVAJO COMMUNICATIONS CO.  
DRAWER 6000  
WINDOW ROCK, AZ 86515  
(520) 871-5581

April 16, 1997

Dear Ms. Charley:

FCK 598 697

Preliminary engineering to provide you telephone service in our Kayenta exchange has been completed. Listed below are the aide-to-construction price quote and right-of-way requirements to give you service.

CITIZENSTELECOM builds 1/2 mile (2,640 feet) of line extension free of charge per applicant and the remaining balance is built at the customer's expense. Upon receipt of the balance; final engineering and material ordering is done and you are provided with the necessary route information to procure any required right-of-away.

Total distance for our nearest facility	11,420 feet
Less free build (1 customer)	2,640 feet
Aide-to-construction cost distance	8,780 feet

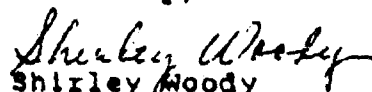
YOUR COST ESTIMATE \$ 35,120.00

The right-of-way procurement and associated costs have not been included in the above estimate. All right-of-way costs must be provided by you prior to construction.

This estimate will be kept on file for 30 days from the date of this letter. After expiration of the 30-day period, your service order and the cost estimate are subject to cancellation and change.

If you have any questions, please contact us at 520/871-5581.

Sincerely,

  
Shirley Woody  
Service Center Supervisor

CITIZENSTELECOM  
NAVAJO COMMUNICATIONS CO.  
DRAWER 6000  
WINDOW ROCK, AZ 86515  
(520) 871-5581

April 16, 1997

Dear Ms. Bahe:

I1760 787

Preliminary engineering to provide you telephone service in our Lukachukai exchange has been completed. Listed below are the aide-to-construction price quote and right-of-way requirements to give you service.

CITIZENSTELECOM builds 1/2 mile (2,640 feet) of line extension free of charge per applicant and the remaining balance is built at the customer's expense. Upon receipt of the balance; final engineering and material ordering is done and you are provided with the necessary route information to procure any required right-of-away.

Total distance for our nearest facility	9,504 feet
Less free build (1 customer)	2,640 feet
Aide-to-construction cost distance	6,864 feet


YOUR COST ESTIMATE \$ 24,024.00

The right-of-way procurement and associated costs have not been included in the above estimate. All right-of-way costs must be provided by you prior to construction.

This estimate will be kept on file for 30 days from the date of this letter. After expiration of the 30-day period, your service order and the cost estimate are subject to cancellation and change.

If you have any questions, please contact us at 520/871-5581.

Sincerely,

  
Shirley Woody  
Service Center Supervisor

CITIZENSCOMMUNICATIONS  
NAVAJO COMMUNICATIONS CO.  
DRAWER 6000  
WINDOW ROCK, AZ 86515  
(520) 871-5581

May 12, 1997

Dear Ms Faber:

I1756 787

Preliminary engineering to provide you telephone service in our Lukachukai exchange has been completed. Listed below are the aid -to-construction price quote and right-of-way requirements to give you service.

CITIZENSTELECOM builds 1/2 mile (2,640 feet) of line extension free of charge per applicant and the remaining balance is built at the customer's expense. Upon receipt of the balance; final engineering and material ordering is done and you are provided with the necessary route information to procure any required right-of-away.

Total distance for our nearest facility	13,200 feet
Less free build (1 customer)	2,640 feet
Aide-to-construction cost distance	10,560 feet

YOUR COST ESTIMATE \$ 36,960.00

The right-of-way procurement and associated costs have not been included in the above estimate. All right-of-way costs must be provided by you prior to construction.

This estimate will be kept on file for 30 days from the date of this letter. After expiration of the 30-day period, your service order and the cost estimate are subject to cancellation and change.

If you have any questions, please contact us at 520/871-5581.

Sincerely,

*Shirley Woody*  
Shirley Woody

Service Center Supervisor

CITIZENSCOMMUNICATIONS  
NAVAJO COMMUNICATIONS CO.  
DRAWER 6000  
WINDOW ROCK, AZ 86515  
(520) 871-5581

March 04, 1998

Dear Ms Posey:

FCK 1121 787

Preliminary engineering to provide you telephone service in our Lukachukai exchange has been completed. Listed below are the aide-to-construction price quote and right-of-way requirements to give you service.

CITIZENSTELECOM builds 1/2 mile (2,640 feet) of line extension free of charge per applicant and the remaining balance is built at the customer's expense. Upon receipt of the balance; final engineering and material ordering is done and you are provided with the necessary route information to procure any required right-of-away.

Total distance for our nearest facility	23,760 feet
Less free build (1 customer)	2,640 feet
Aide-to-Construction Cost Distance	21,120 feet


YOUR COST ESTIMATE      \$ 73,920.00

The right-of-way procurement and associated costs have not been included in the above estimate. All right-of-way costs must be provided by you prior to construction.

This estimate will be kept on file for 30 days from the date of this letter. After expiration of the 30-day period, your service order and the cost estimate are subject to cancellation and change.

If you have any questions, please contact us at 520/871-5581.

Sincerely,

  
Shirley Woody  
Service Center Supervisor

CITIZENSTELECOM  
NAVAJO COMMUNICATIONS CO.  
DRAWER 6000  
WINDOW ROCK, AZ 86515  
(520) 871-5581

April 16, 1997

Dear Ms. Nephew:

FCK 598 697

Preliminary engineering to provide you telephone service in our Kayenta exchange has been completed. Listed below are the aide-to-construction price quote and right-of-way requirements to give you service.

CITIZENSTELECOM builds 1/2 mile (2,640 feet) of line extension free of charge per applicant and the remaining balance is built at the customer's expense. Upon receipt of the balance; final engineering and material ordering is done and you are provided with the necessary route information to procure any required right-of-away.

Total distance for our nearest facility	11,800 feet
Less free build (1 customer)	2,640 feet
Aide-to-construction cost distance	9,160 feet

YOUR COST ESTIMATE

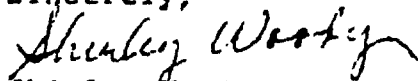
\$ 36,640.00

The right-of-way procurement and associated costs have not been included in the above estimate. All right-of-way costs must be provided by you prior to construction.

This estimate will be kept on file for 30 days from the date of this letter. After expiration of the 30-day period, your service order and the cost estimate are subject to cancellation and change.

If you have any questions, please contact us at 520/871-5581.

Sincerely,



Shirley Woody  
Service Center Supervisor

CITIZENSTELECOM  
NAVAJO COMMUNICATIONS CO.  
DRAWER 6000  
WINDOW ROCK, AZ 86515  
(520) 871-5581

April 16, 1997

Dear Mr. Cody:

FCK 598 697

Preliminary engineering to provide you telephone service in our Kayenta exchange has been completed. Listed below are the aide-to-construction price quote and right-of-way requirements to give you service.

CITIZENSTELECOM builds 1/2 mile (2,640 feet) of line extension free of charge per applicant and the remaining balance is built at the customer's expense. Upon receipt of the balance; final engineering and material ordering is done and you are provided with the necessary route information to procure any required right-of-away.

Total distance for our nearest facility	15,016 feet
--Less free build (1 customer)	2,640 feet
Aide-to-construction cost distance	12,376 feet

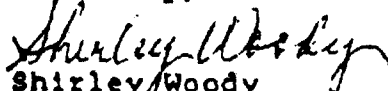
YOUR COST ESTIMATE	\$ 49,504.00
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The right-of-way procurement and associated costs have not been included in the above estimate. All right-of-way costs must be provided by you prior to construction.

This estimate will be kept on file for 30 days from the date of this letter. After expiration of the 30-day period, your service order and the cost estimate are subject to cancellation and change.

If you have any questions, please contact us at 520/871-5581.

Sincerely,



Shirley Woody  
Service Center Supervisor

CITIZENSCOMMUNICATIONS  
NAVAJO COMMUNICATIONS CO.  
DRAWER 6000  
WINDOW ROCK, AZ 86515  
(520) 871-5581

February 5, 1998

Dear Ms Phillips:

I 1813 787

Preliminary engineering to provide you telephone service in our Lukachukai exchange has been completed. Listed below are the aide-to-construction price quote and right-of-way requirements to give you service.

CITIZENSTELECOM builds 1/2 mile (2,640 feet) of line extension free of charge per applicant and the remaining balance is built at the customer's expense. Upon receipt of the balance; final engineering and material ordering is done and you are provided with the necessary route information to procure any required right-of-away.

Total distance for our nearest facility	7,920 feet
Less free build (1 customer)	2,640 feet
Aide-to-Construction Cost Distance	5,280 feet

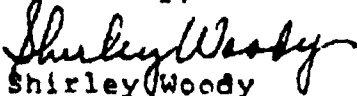
YOUR COST ESTIMATE \$ 18,480.00

The right-of-way procurement and associated costs have not been included in the above estimate. All right-of-way costs must be provided by you prior to construction.

This estimate will be kept on file for 30 days from the date of this letter. After expiration of the 30-day period, your service order and the cost estimate are subject to cancellation and change. But you can apply for IMM service until 10-01-98.

If you have any questions, please contact us at 520/871-5581.

Sincerely,

  
Shirley Woody

Service Center Supervisor



NAVAJO COMMUNICATIONS CO.  
DRAWER 6000  
WINDOW ROCK, AZ 86515  
(520) 871-5581

*citizenstelecom*

April 16, 1998

Dear Ms Nelson:

FCK 1140 736

Preliminary engineering to provide you telephone service in our Toyel exchange has been completed. Listed below are the aide-to-construction price quote and right-of-way requirements to give you service.

Navajo Communications

CITIZENSTELECOM builds 1/2 mile (2,640 feet) of line extension free of charge per applicant and the remaining balance is built at the customer's expense. Upon receipt of the balance; final engineering and material ordering is done and you are provided with the necessary route information to procure any required right-of-away.

PO Box 1030

Window Rock, AZ

Office 520-871-5581

Total distance for our nearest facility	26,400 feet
Less free build (1 customer)	2,640 feet
Aide-to-Construction Cost Distance	23,760 feet

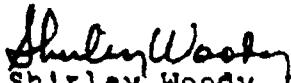
YOUR COST ESTIMATE \$ 82,160.00

The right-of-way procurement and associated costs have not been included in the above estimate. All right-of-way costs must be provided by you prior to construction.

This estimate will be kept on file for 30 days from the date of this letter. After expiration of the 30-day period, your service order and the cost estimate are subject to cancellation and change.

If you have any questions, please contact us at 520/871-5581.

Sincerely,



Shirley Woody  
Service Center Supervisor